GEORGIA REAL ESTATE EXAM GLOSSARY

Title theory

Title theory describes a financing system in which the security instrument places legal title with the lender until the secured debt is satisfied, while the borrower keeps equitable ownership and possession.

OFFICIAL AREA	KNOWLEDGE CLUSTER	LEARNING SYSTEM
Finance and Closing	**Georgia finance and closing**	**Define, distinguish, apply, retrieve**

SOURCE STANDARD

Official exam outline plus authoritative Georgia or federal references where the topic has a controlling rule. Independent educational resource, not affiliated with GREC or PSI.

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01 / COMPLETE LESSON

Build the complete exam definition

Learn the rule, separate it from the nearest distractor, then apply it to a Georgia fact pattern.

CORE DEFINITION

What does Title theory mean?

Title theory describes a financing system in which the security instrument places legal title with the lender until the secured debt is satisfied, while the borrower keeps equitable ownership and possession.

CLOSEST DISTINCTION

How do you separate the nearest exam answer?

In a lien-theory state, the borrower keeps legal title and the lender holds a lien. Georgia's security-deed system follows the title-theory result.

GEORGIA APPLICATION

What changes or stays the same in Georgia?

Georgia is tested as a title-theory state because a security deed passes title to the grantee until cancellation or reconveyance after payment.

WORKED EXAMPLE

A question asks who holds legal title during the life of a Georgia loan secured by a deed to secure debt. The lender is the legal titleholder for security purposes.

EXAM TRAP

Title theory does not mean the lender has ordinary ownership rights to occupy or use the property while the loan is current.

02 / PRACTICE AND MASTERY

Retrieve the rule under exam conditions

Answer before reading the explanation. Then explain why every distractor belongs to a different term.

ORIGINAL PRACTICE CHECK

A Georgia homeowner is current on a loan secured by a deed to secure debt. Which statement describes the parties' positions during the loan?

- **A** The borrower keeps possession while the lender holds legal title as security
- **B** The borrower holds legal title and the lender holds only a recorded lien
- **C** The lender may occupy the home at any time because it holds legal title
- **D** A neutral trustee holds legal title for both parties until the loan is paid

CORRECT ANSWER: A

In a title-theory state like Georgia, the lender holds legal title as security while the borrower keeps possession and equitable ownership. That title does not let the lender move in while the loan is current. The lien-only answer describes a lien-theory state, not Georgia.

MASTERY TRACKER

Mark each box only when you can perform the skill without looking.

- [ ] I can define the term in one precise sentence.
- [ ] I can separate it from the closest look-alike.
- [ ] I can explain the Georgia rule or confirm that the national rule applies.
- [ ] I can answer the practice check and explain every option.

03 / CONNECTIONS AND AUTHORITY

Connect the term to the wider exam

Use these relationships to move from isolated recall to a connected exam model.

RELATED TERM

Security deed

A security deed, also called a deed to secure debt, is Georgia's customary instrument for securing a real estate loan.

https://www.passgeorgiarealestate.com/glossary/security-deed

RELATED TERM

Promissory note

A promissory note is the borrower's written promise to repay a debt under stated principal, interest, payment, maturity, and default terms.

https://www.passgeorgiarealestate.com/glossary/promissory-note

RELATED TERM

Satisfaction or cancellation of security deed

Satisfaction or cancellation of a Georgia security deed is the formal record that the secured debt has been paid and the security deed has been canceled, which operates to reconvey title as provided by Georgia law.

https://www.passgeorgiarealestate.com/glossary/security-deed-cancellation

RECOMMENDED NEXT COMPLETE LESSON

Finance and Closing complete lesson

https://www.passgeorgiarealestate.com/blog/georgia-security-deed-vs-mortgage

EXAM SOURCES AND AUTHORITY NOTES

1. PSI Georgia Candidate Information Bulletin, 7/1/2026

Official exam administration and content-outline source.

https://test-takers.psiexams.com/api/content/bulletin/4672

2. O.C.G.A. Title 44, Chapter 14, Mortgages, Conveyances to Secure Debt, and Liens

Current Georgia security-deed, cancellation, lien, and power-of-sale authority through the state-authorized code portal.

https://www.lexisnexis.com/hottopics/gacode/Default.asp